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AN ANALYSIS OF COST OF EQUITIES IN THE PORTFOLIO OF FRANKLIN INDIA BALANCED FUND USING CAPITAL ASSET PRICING MODEL (CAPM)

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ABSTRACT

Investing in equities is one of the risky investments and also generates high returns. One of the factors which influence the investment in equities is the cost of equity or the purchase price of equities. When an investor invests in equities directly or indirectly via mutual fund, the cost of equity is analyzed using capital asset pricing model. Actual return is identified using this model and compared the same with estimated return and the stock is purchased and added to the portfolio of the scheme. If the actual return is greater than the estimated return then the cost of equity is reasonable and if actual return is lesser than the estimated return the cost of equity is not reasonable to purchase and invest. The study also analyzed the performance of equity sector-wise in the portfolio of Franklin India Balanced Fund (G). The portfolio of the scheme consists of stocks from 49 companies from 19 sectors. Using capital asset pricing model, it is found that 31 stocks are underpriced which makes the scheme better for the investor to invest.

KEYWORDS: CAPM; cost of equity; Franklin India Balanced Fund (G); Beta;Overpriced; Underpriced.

Review of literature

The study involves the analysis of cost of equities which is very mush important in fixing the purchase price of equities by the portfolio managers. A study by Levy (1971) and Levitz (1974) states that the beta of individual stock is less stable when compared to the beta of portfolios. The stability of beta is more stable in portfolios than individual stock. `The study by Chawla (2004) examines the stability of beta and found that the beta won't be stable. The study by Campbell, Husiman and Kodedijk (2001) says that the optimal portfolio is one which gives maximum returns with less risk. The present situation of the stock market is not the same as mentioned in the study. The present market is having a lot of variables with influences the price of the stock and moves away from the expected returns of the portfolio as well. Liow (2001) examine the performance of Singapore real estate property stocks for twenty five years. Sharp Index and coefficient of variation are used for analysis.

A research by Radhika Desai (2013) constructed anoptimum portfolio using Sharp Index which uses a method of calculating covariance which reduces the number of calculations to a great extent. A study by Chintan A. Shah (2015) emphasis the importance of diversification in investment. The researcher also states that portfolio management is a process or activity which w-includes seven broad phases. The researcherconstructed optimal portfolio from BSE 15 using Sharp Index model and also compared Sharp Index Model and Capital Asset Pricing Model.SabanCelik (2012) has reviewed the asset pricing models in his study. The study states that the asset pricing models are developed to evaluate the value of the investment made on asset for appreciations in future. This is done by calculating the present values of the investments made today and make investment decisions based on it. KapilChoudhary, SakshiChoudhary (2010) examines the capital asset pricing model of Indian capital market by analyzing the 278 companies of Bombay Stock Exchange. The study checked whether stocks with high beta are giving highreturns or not. Miller and Scholes (1972) stated the problems of statistics occurred when individual securities are analyzed using capital asset pricing method.

Introduction

Every investment has two important factors i.e., the risk and return. Investor will make investment on the basis of these two factors. Those investors who have high risk appetite will invest in risky investments like equities and those have low will choose debt instruments like bonds and debentures which promises fixed return to the investors. The investors who invest in risky investments have to do a lot of analysis to decide his investment and risk appetite. Especially the investors who invest in equities directly or indirectly should consider the systematic and unsystematic risk involved in the investment. The risk which affects the entire market is the systematic risk and the risk which affects only a particular industry or a company is unsystematic. The unsystematic risk is very difficult to forecast, but the systematic risk can be forecasted. One of the methods to measure the systematic risk is Beta. Beta is a measure of the security's sensitivity to changes in market return. If beta is equal to one then the security moves at the same rate and in the same direction of the market and the security will move greater than the market if the beta is greater than one and vice versa. An investor who invests in equity directly or indirectly can forecast the cost of equity using a Capital Asset Pricing Model which use beta. The investor who invests directly in equities through online and offline trading facilities can decide the approximate cost or the purchase price using Capital Asset Pricing Model. Those investors who invest in equities indirectly via equity oriented mutual funds can check the cost of equities in the portfolio of mutual fund using CAPM method, before selecting the best mutual funds scheme.

Capital Asset Pricing Model (CAPM) describes the relationship betweenrate of return of a stock and the diversifiable systematic risk involved in it. The method considered the market return, risk free rate of return and risky rate of return .i.e., the beta of the particular security. The capital asset pricing model is developed with few assumptions. The basic assumption of the model is that an individual trader or an investor cannot influence the price of a stock.The investment decision is based on the expected returns, beta, standard deviation and covariance. All investors have same expectations while making their investment decisions. The rate of interest offered by treasury bills or government securities is considered as risk free rate of interest. These are some of the assumption of capital asset pricing model. This study has analyzed the cost of equities in the portfolio of two equity dominated mutual funds.

Franklin India Balanced Fund (G)

Franklin India Balanced Fund (G) is growth fund which has equities, debts and cash in its portfolio. The portfolio of this scheme is dominated by equities comprised of equities, debt and cash of 65.83%, 26.61% and 7.52% respectively. The scheme is dominated by equities. The sector allocation of equities includes banking and financial services, automotive, information technology, pharmaceuticals, oil and gas, telecommunication, engineering and capital goods, utilities, consumer non-durables, chemicals, cement and construction, conglomerates, services, retails and real estate, manufacturing, media and entertainment, food and beverages, metals and mining and miscellaneous. The percentage of equities allocated to the sector and its value are as follows.

Table:1Sector-wise equity allocation and its value in Rs.

Sl No	Sector	Percentage of Allocation	Value in Crores (Rs)
1	Banking and finance	21.20%	358
2	Automotive	11.25%	186.53
3	Information Technology	6.82%	103.99
4	Pharmaceutical	5.82%	96.52
5	Utilities	3.86%	64.03
6	Oil and Gas	3.38%	55.95
7	Consumer non-durables	3.19%	52.98
8	Telecommunication	2.02%	33.51
9	Engineering and capital goods	1.72%	28.38
10	Conglomerates	1.28%	21.13
11	Chemicals	1.24%	20.49
12	Cement and Construction	1.22%	20.18

13	Miscellaneous	0.95%	15.78
14	Service	0.72%	11.96
15	Retail and Real-estate	0.64%	10.69
16	Manufacturing	0.48%	7.9539
17	Food and Beverages	0.45%	7.47
18	Media and Entertainment	0.44%	7.36
19	Metal and Mining	0.01%	0.09
Total			1102.9939

The above table consists of sector-wise allocation of equities in the portfolio of the scheme and its value in rupees as on December 2016. The allocation of the equities in the scheme is 65.83%. Since the scheme is dominated by equation, it involves systematic and unsystematic risks. The unsystematic risk is very difficult to analyze because it is based on a specific industry or a company. The systematic risk can be analyzed and measured by knowing the beta value of securities. By using capital asset pricing model (CAPM) the cost of equities is analyzed and evaluate whether the equities are added to the portfolio of the scheme at reasonable cost.

Analysis of cost of equities in Franklin India Balanced Fund (G)

The portfolio of the scheme consists of equities of 49 companies from the industries mentioned in the Table1. To analyze the cost of equities in the mutual fund scheme, capital asset pricing model is used. The variables used to calculate are beta of individual equities, risk free rate of return and market return. Interest rate return of treasury bills of 364 days is taken as risk free rate of return. The average rate of return of nifty in the year 2016 is taken as market return. Using capital asset pricing model the scheme is analyzed by calculating the expected return from January 2016 till December 2016 and the actual return is also calculated. Both of these returns are compared and if the actual return is equal to or greater than the expected return means the cost of equity is reasonable and it is termed as underpriced and if the actual returns is less than expected return means the cost of equity is not reasonable and it I termed as underpriced. A good portfolio should have more underpriced equities than overpriced. The details of the equities, its actual returns, expected return, beta value, etc., is shown in the following table

Table:2 Actual returns, expected return, beta value and overpriced/underpriced of equities in Franklin India Balanced Fund (G)

Sl. No	Company	Sector	Beta Value	Actual Return	Estimated Return	Under Priced / Over Priced
1	HDFC Bank	Banking & Financial Services	0.697	0.164	0.020	Under Priced
2	Axis Bank	Banking & Financial Services	1.280	0.156	-0.017	Under Priced
3	SBI	Banking & Financial Services	1.930	0.324	-0.059	Under Priced
4	M&M	Automotive	0.839	0.044	0.011	Under Priced
5	Infosys	Information Technology	0.706	-0.137	0.019	Over Priced
6	DrReddys Labs	Pharmaceuticals	0.655	0.081	0.022	Under Priced
7	HUL	Consumer Non-durables	0.573	0.020	0.027	Over Priced
8	Tech Mahindra	Information Technology	0.885	-0.116	0.008	Over Priced
9	IndusInd Bank	Banking & Financial Services	1.100	0.221	-0.006	Under Priced
10	NTPC	Utilities	1.170	0.121	-0.010	Under Priced
11	Bharti Airtel	Telecommunication	0.545	0.001	0.029	Over Priced
12	Tata Motors	Automotive	1.940	0.356	-0.059	Under Priced
13	Yes Bank	Banking & Financial Services	1.420	0.729	-0.026	Under Priced
14	Power Grid Corp	Utilities	0.370	0.315	0.040	Under Priced
15	Kotak Mahindra	Banking & Financial Services	0.906	0.124	0.006	Under Priced
16	Guj State Petro	Oil & Gas	0.717	0.084	0.018	Under Priced
17	BPCL	Oil & Gas	0.797	-0.281	0.013	Over Priced
18	Hero Motocorp	Automotive	1.190	0.249	-0.012	Under Priced
19	UltraTechCement	Cement & Construction	1.060	0.339	-0.003	Under Priced
20	Bajaj Auto	Automotive	0.801	0.142	0.013	Under Priced
21	TVS Motor	Automotive	1.250	0.296	-0.016	Under Priced
22	Maruti Suzuki	Automotive	1.180	0.227	-0.011	Under Priced
23	ICICI Bank	Banking & Financial Services	2.270	0.121	-0.080	Under Priced
24	Larsen	Engineering & Capital Goods	1.180	0.194	-0.011	Under Priced
25	Cadila Health	Pharmaceuticals	0.704	0.255	0.019	Under Priced
26	HCL Tech	Information Technology	0.461	-0.062	0.035	Over Priced
27	Asian Paints	Chemicals	0.712	0.110	0.019	Under Priced
28	Lupin	Pharmaceuticals	0.235	-0.140	0.049	Over Priced
29	Sun Pharma	Pharmaceuticals	0.199	-0.136	0.051	Over Priced
30	Amara Raja Batt	Automotive	0.526	0.149	0.030	Under Priced
31	Cummins	Engineering & Capital Goods	0.614	-0.177	0.025	Over Priced
32	Grasim	Conglomerates	0.807	0.226	0.013	Under Priced
33	Aditya Birla F	Retail & Real Estate	2.400	-0.362	-0.089	Over Priced
34	Voltas	Conglomerates	1.600	0.121	-0.038	Under Priced
35	Titan Company	Miscellaneous	0.374	-0.041	0.040	Over Priced
36	BalkrishnaInd	Automotive	0.531	0.627	0.030	Under Priced
37	Arvind	Manufacturing	1.370	0.106	-0.023	Under Priced
38	Gujarat Pipavav	Services	0.702	-0.030	0.019	Over Priced
39	Torrent Pharma	Pharmaceuticals	1.150	-0.046	-0.009	Over Priced
40	United Brewerie	Food & Beverages	0.775	0.005	0.015	Over Priced
41	PidiliteInd	Chemicals	0.669	0.170	0.021	Under Priced
42	JagranPrakashan	Media & Entertainment	0.817	0.090	0.012	Under Priced
43	Petronet LNG	Oil & Gas	0.373	0.462	0.040	Under Priced
44	KarurVysya	Banking & Financial Services	0.725	-0.053	0.018	Over Priced
45	Gateway Distri	Miscellaneous	1.690	-0.266	-0.044	Over Priced
46	Marico	Consumer Non-durables	0.225	0.149	0.050	Under Priced
47	GE Shipping	Services	0.430	0.027	0.037	Over Priced
48	Oil India	Oil & Gas	0.368	0.153	0.041	Under Priced
49	Coal India	Metals & Mining	0.980	-0.007	0.002	Over Priced

The above table shows the equities in the portfolio of the scheme which comprises of 65% of the portfolio. The table consists of the company name of the equities, the sector it belongs to, beta value, the actual return which is the percentage change between the average price of equities in the month of January 2016 and December 2016 and the estimate return which is calculated using capital asset pricing method. The estimated return is calculate using the beta value of individual securities, interest of 364 days treasury bill is taken as risk free return and average return of nifty from January 2016 to December 2016 is taken as market return. The table also shows that whether the stocks are purchased or added to the portfolio at the reasonable cost or not. If the actual return of a stock is greater than the estimated return then the price at which the stock is purchased and added to the portfolio is reasonable, this is termed as "Underpriced". The stock is called as "Overpriced" if the actual return of the stock is lesser than the estimated return. When the cost of all the equities in the portfolio is analyzed using capital asset pricing model, it is found that 31 stocks out of 49 stocks are underpriced .i.e., the actual returns of all 31 stocks are greater than estimated return. The portfolio of the scheme consist of 18 stocks out of 49 stocks are overpriced .i.e., the actual return is lesser than the estimated return. The sector wise analysis of cost of equities in the portfolio of the scheme is as follows.

Information Technology

The portfolio of the scheme consists of stocks of three companies from the information technology sector. All the three companies stocks are overpriced .i.e., the actual returns of all the stocks are lesser than the estimated returns. The companies are Infosys, Tech Mahindra and HCL Technologies. The actual returns and estimated returns of Infosys are-13.69% and 1.90% respectively, Tech Mahindra's is -11.5% and 0.76% respectively and HCL Technologies is-6.20% and 3.46% respectively.

Consumer Non-durables

The portfolio of the scheme has two companies' stocks from this industry. The two companies are Marico and Hindustan Unilever Limited. Marico's stocks are added to the portfolio at reasonable price. The actual return of Marico's stock is 14.93% and the estimated return is 4.96%. The actual return is 9.97% greater than estimated return and the stock is underpriced when purchased and added to the portfolio. The actual and estimated returns of Hindustan Unilever Limited are -6.20% and 3.46% respectively. The stock is overpriced because the actual return is lesser than the estimated return.

Telecommunication

The only company from the telecommunication industry in the portfolio is Bharthi Airtel. The stock is overpriced because the actual return of the stock is 0.05% and estimated return is 2.93%. The actual return is lesser than estimated return.

Oil & Gas

The portfolio of the scheme consists of four companies stocks from this industry. Three companies are underpriced while purchased and added to the portfolio and one company's stock is overpriced. The three underpriced stocks are Gujarat State Petroleum Corporation, Petronet and Oil India. The actual and estimate returns of Gujarat State Petroleum Corporation are 8.36% and 1.83%, the actual and estimate returns of Petronet are 46.16% and 4.02% respectively and the actual and estimated return of Oil India is 15.26% and 4.05% respectively. The only company stock from this industry which is overpriced is BPCL. The actual return of BPCL is -28.14% and the estimate return is1.32%.

Pharmaceuticals

The portfolio of the scheme consists of five pharmaceuticals company stocks. Two companies' stocksare underpriced and three companies stocks are overpriced. The underpriced stocks are the stocks of Dr Reddy's Labs and Cadila Health. The overpriced stocks are the stocks of Lupin, Sun Pharma and Torrent Pharma. The actual and estimated returns of Dr Reddy's Lab are 8.08% and 2.23% respectively, Cadila Heath is 25.50% and 1.92% respectively. Both the companies' actual returns are greater than the estimated returns. Hence both of these companies are underpriced. The actual returns and estimated returns of Lupin, Sun pharma and Torrent Pharma are -13.99% & 4.90%, -13.56% & 5.13% and -4.56% and -0.92% respectively. Since the actual prices of these three companies stocks are lesser than the estimated returns, all these three companies stocks are overpriced.

Banking & Financial Services

The scheme consists of stocks of eight companies from banking and financial services sector. Seven out of eight companies are underpriced. The underpriced stocks are the stocks of HDFC bank with actual returns and estimate returns 16.41% and 1.96%. The stock is 14.45% greater than the estimated return. Stocks of Axis bank is also underpriced with actual return of 15.61% and estimated return of -1.75%. The actual return of Axis bank stock is 17.36% greater than estimated return. State Bank of India is also a underpriced stocks in the portfolio with actual returns of 32.43% and estimated return of -5.88%. The actual return is 38.31% greater than estimated return. IndusInd Bank has estimated return of -60% and actual return of 22.07%. The actual return is 22.67% greater than estimated return. Yes Bank is a company in the portfolio of the scheme which has a remarkable actual return of 72.91% and the estimated return is -2.64%. The actual return of Yes bank stocks is 75.55% greater than estimated return and the stock is underpriced. Kotak Mahindra bank's stocks are an underpriced stock of banking and financial services with actual return of 12.43% and estimated return of 0.63%. The actual is 11.8% greater than the estimated return. The banking and financial service industry has shown good returns to the scheme.

Automotive

The portfolio of the scheme consist of stock of automotive companies like Mahindra & Mahindra, Tata Motors, Hero Motocorp, Bajaj Auto, TVS Motors, Maruti Suzuki, Amara Raja Battery and Balkrishna Industries. The stocks from all these eight companies are underpriced when purchased and added to the portfolio of the scheme. The actual price of all these stocks is greater than the estimated return. The actual returns and estimated returns of Mahindra &Mahindra are 4.37% and 1.06%. The stock generated 3.31% returns more than the estimated return, this is because the cost at which the stock is purchased. The stocks of Tata Motors generated returns of 41.56% greater than the estimated return of -5.95%. This is one of the stocks which give a good return to the scheme. Hero Motocorp is a stock of automotive which is underpriced. The actual return is 24.92% and estimated return is -1.18%. The actual return is 26.1% greater than estimated return. Bajaj Auto stocks are also a part of this portfolio and the stocks are underpriced. The actual return is 12.86% greater than the estimated return. TVS Motors stocks are also added to the scheme and this stock is also underpriced with actual return of 29.64% and estimated return of -1.56%. The stocks of Maruti Suzuki are also added to the portfolio of the scheme at reasonable price. The stock is underpriced with actual return of 22.74% and estimated return of 1.11%. The actual price and estimated price of Amara Raja Battery and Balkrishna Industries are 14.93% & 3.05% and 62.67% & 3.02% respectively. It is observed that automotive sector is one of the best performing sectors in the scheme. The returns of these stocks are well forecasted and added to the portfolio of the scheme.

Utilities

The portfolio of the scheme consists of two companies' stocks of Utilities sector. The companies are NTPC and Power Grid Corporation. Both the companies' stocks are underpriced when added to the portfolio of the scheme. The actual returns and estimated returns of NTPC and Power Grid Corporation are 12.10% & -1.05% and 31.53% & 4.04% respectively.

Cement & Construction

The portfolio of the scheme consists of only one company's stocks from Cement & Construction sector. The Cement & Construction Company stocks added to the scheme is the stocks of Ultra Tech Cement. The stocks are underpriced when added to the portfolio of the scheme. The actual return of the stock is 33.86% and the estimated return in -0.35%. The actual return is 34.21% greater than the estimated return.

Engineering & Capital Goods

The scheme's portfolio of the scheme consists of stocks of two companies from Engineering & Capital Goods sector. The two companies are L&T and Cummins. The stocks of L&T areunderpriced when added to the portfolio of the scheme. The actual returns and estimated returns of L&T are 19.40% and -1.11% respectively. The actual return is 20.51% greater than the estimated return. The Cummins stocks are overpriced when it is added to the portfolio of the scheme.

Chemicals

The scheme consists of two companies' stocks from Chemical industry. The two companies are Asian Paints and Pidilite Industries. The stocks of both of these companies are underpriced when it is purchased and added to the portfolio of the scheme. The actual returns of the Asian Paints are 11.03% and the estimated return is 1.87%. The actual returns and estimated returns of Pidilite Industries are 17.03% and 2.14%. The actual returns of both the companies' stocks are greater than the estimated returns and hence underpriced.

Conglomerates

The stocks of two companies of conglomerates are added to the portfolio of the scheme. The companies are Grasim and Voltas. Both the companies' stocks are underpriced when added to the portfolio of the scheme. The actual return and estimated return of Grasim are 22.61% and 1.26%, the actual and estimated returns of Voltas are 12.11% and -3.78%. Both the companies' stocks are underpriced because the actual returns of both the companies' stocks are greater than estimated return.

Manufacturing

The manufacturing sector is one of the sectors of the scheme which consist of stocks of one company. The company is Arvind limited and the stocks are underpriced when it is added to the scheme's portfolio. The actual return and estimated return of the stock is 10.61% and -2.32%.

Media & Entertainment

The sector contributes the scheme portfolio with the stocks of one company .i.e., Jagran Prakashan Limited. The stocks of the company are underpriced when it is added to the portfolio of the scheme. The actual return of the stock is 9.04% and the estimated return is 1.20%. The actual return is greater than the estimated return.

Retail & Real Estate

Aditya Birla Fashions stocks are the only stocks from the Retail & Real Estate sector. The stocks are overpriced when it is added to the portfolio of the scheme. The actual return of the stock is -36.21% and the estimated return is -8.87%. The actual return is lesser than the estimated return. Hence the stock is overpriced.

Miscellaneous

Titan Company and Gateway Distributors are the two companies added to the portfolio of the scheme under the category Miscellaneous. Both the companies are overpriced when purchased and added to the portfolio. The Titan Company's actual is -4.09% and the estimated return in 4.02%. The actual and estimated returns of Gateway Distributors are -26.55% and -4.36% respectively.

Services

The stocks of two companies in the portfolio of the scheme are from Services sector. The companies are Gujarat Pipavav Port Limited and GE Shipping. The actual and estimated return of Gujarat Pipavav Port Limited is -2.99% and 1.93% respectively. The actual return and estimated return of GE Shipping is 2.69% and 3.66% respectively. The stocks of both the companies are overpriced because the actual return is lesser than the estimated returns.

Food & Beverages

The only company from this sector is United Breweries. The stocks are added to the portfolio of the scheme at higher price. The actual return and estimated return of United Breweries is 0.52% and 1.46% respectively. The actual return is -0.94% lesser than the actual return. Hence the stocks are overpriced.

Metals & Mining

Coal India is the only company from this sector. The stocks of this company are overpriced when it is purchased and added to the portfolio of the scheme. The actual return and estimated return of this stock is -0.67% and 0.16% respectively. Thus by analyzing the entire portfolio of the scheme, it is understood that 31 companies stocks from different sectors, are underpriced when it is purchased and added to the portfolio of the scheme. The maximum actual return by an underpriced stock is the stocks of Yes Bank with actual return of 72.91%. The minimum actual return by an underpriced stock is the stocks of Mahindra & Mahindra with actual return of 4.37%. The stocks from banking & financial services generated remarkable returns to the scheme ranging from 12.13% to 72.91%. Automotive sector is also a remarkable sector in the portfolio which generates returns to the scheme ranging from 4.37% to 62.67%. No stocks from this sector are overpriced. Some of the good performing sectors in the portfolio are oil & gas, utilities, cement & construction, chemicals, conglomerates, manufacturing, media & entertainment. The details of the underpriced stocks in the portfolio are as follows

Table: 3 Details of Underpriced stocks in the portfolio of Franklin India Balanced Fund (G)

Sl No	Company	Sector	Actual Return	Estimated Return
1	HDFC Bank	Banking & Financial Services	16.41%	1.96%
2	Axis Bank	Banking & Financial Services	15.61%	-1.75%
3	SBI	Banking & Financial Services	32.43%	-5.88%
4	M&M	Automotive	4.37%	1.06%
5	Dr Reddys Labs	Pharmaceuticals	8.08%	2.23%
6	IndusInd Bank	Banking & Financial Services	22.07%	-0.60%
7	NTPC	Utilities	12.10%	-1.05%
8	Tata Motors	Automotive	35.61%	-5.95%
9	Yes Bank	Banking & Financial Services	72.91%	-2.64%
10	Power Grid Corp	Utilities	31.53%	4.04%
11	Kotak Mahindra	Banking & Financial Services	12.43%	0.63%
12	Guj State Petro	Oil & Gas	8.36%	1.83%
13	Hero Motocorp	Automotive	24.92%	-1.18%
14	UltraTechCement	Cement & Construction	33.86%	-0.35%
15	Bajaj Auto	Automotive	14.16%	1.30%
16	TVS Motor	Automotive	29.64%	-1.56%
17	Maruti Suzuki	Automotive	22.74%	-1.11%
18	ICICI Bank	Banking & Financial Services	12.13%	-8.05%
19	Larsen	Engineering & Capital Goods	19.40%	-1.11%
20	Cadila Health	Pharmaceuticals	25.50%	1.92%
21	Asian Paints	Chemicals	11.03%	1.87%
22	Amara Raja Batt	Automotive	14.93%	3.05%
23	Grasim	Conglomerates	22.61%	1.26%
24	Voltas	Conglomerates	12.11%	-3.78%
25	BalkrishnaInd	Automotive	62.67%	3.02%
26	Arvind	Manufacturing	10.61%	-2.32%
27	PidiliteInd	Chemicals	17.03%	2.14%
28	JagranPrakashan	Media & Entertainment	9.04%	1.20%
29	Petronet LNG	Oil & Gas	46.16%	4.02%
30	Marico	Consumer Non-durables	14.93%	4.96%
31	Oil India	Oil & Gas	15.26%	4.05%

The portfolio of the scheme consists of overpriced stocks of 18 companies. Information Technology is one of the sectors which generated lowest actual return compared to all other sectors in the portfolio. All the companies' stocks from the Information Technology sector are overpriced and generated negative actual returns from -6.20% to -13.69%. The sector has no stocks with positive return or underpriced stocks. Pharmaceuticals is a sector with stocks of five company and three companies stocks are overpriced with negative actual return varies from -4.56% to -13.99%. Services and Miscellaneous are the two sectors with the stocks of two companies each. All the stocks from these two sectors are overpriced .i.e., the actual returns are lesser than the estimated returns. The sectors like food & beverages, metal & mining, retail & real estate and telecommunication contribute the portfolio with the stocks of one company each. All the stocks from these sectors are overpriced. Consumer Non-durables and Engineering & Capital Goods are the sectors with stocks of two companies each in which the stocks of one company is overpriced. The details of overpriced stocks are the portfolio of the scheme is as follows.

Table: 4 Details of Overpriced stocks in the portfolio of Franklin India Balanced Fund (G)

Sl No	Company	Sector	Actual Return	Estimated Return
1	Infosys	Information Technology	-13.69%	1.90%
2	HUL	Consumer Non-durables	2.01%	2.75%
3	Tech Mahindra	Information Technology	-11.55%	0.76%
4	Bharti Airtel	Tele-communication	0.05%	2.93%
5	BPCL	Oil & Gas	-28.14%	1.32%
6	HCL Tech	Information Technology	-6.20%	3.46%
7	Lupin	Pharmaceuticals	-13.99%	4.90%
8	Sun Pharma	Pharmaceuticals	-13.56%	5.13%
9	Cummins	Engineering & Capital Goods	-17.66%	2.49%
10	Aditya Birla F	Retail & Real Estate	-36.21%	-8.87%
11	Titan Company	Miscellaneous	-4.09%	4.02%
12	Gujarat Pipavav	Services	-2.99%	1.93%
13	Torrent Pharma	Pharmaceuticals	-4.56%	-0.92%
14	United Brewerie	Food & Beverages	0.52%	1.46%
15	KarurVysya	Banking & Financial Services	-5.25%	1.78%
16	Gateway Distri	Miscellaneous	-26.55%	-4.36%
17	GE Shipping	Services	2.69%	3.66%
18	Coal India	Metals & Mining	-0.67%	0.16%

Conclusion

The equities in the portfolio of the scheme is analyzed and understood that the 31 companies stocks are underpriced and 18 companies stocks are overpriced. The overpriced stocks are influenced by systematic risk and only very few stocks are influenced by unsystematic risk. The sectors like Banking & Financial Services and Automotive are the top performing sectors, the cost of these stocks are reasonable when added to the portfolio of the scheme. The decision if adding such stocks to the portfolio of the scheme made the scheme a top performing one of its kinds. The probability of getting good returns from this scheme is high, so investors may invest. When the cost of equities of these scheme is analyzed using capital asset pricing model, it is found that majority of the sectors are underpriced. The numbers of companies from the sectors in the portfolio which are underpriced and overpriced are as follows.

Table: 5 Details of sector-wise numbers of overpriced and underpriced companies' stocks of Franklin India Balanced Fund (G)

Sl No	Sector	No. of Companies	Underpriced	Overpriced
1	Information Technology	3	0	3
2	Consumer Non-durables	2	1	1
3	Telecommunication	1	0	1
4	Oil & Gas	4	3	1
5	Pharmaceuticals	5	2	3
6	Banking & Financial Services	8	7	1
7	Automotive	8	8	0
8	Utilities	2	2	0
9	Cement & Construction	1	1	0
10	Engineering & Capital Goods	2	1	1
11	Chemicals	2	2	0
12	Conglomerates	2	2	0
13	Manufacturing	1	1	0
14	Media & Entertainment	1	1	0
15	Retail & Real Estate	1	0	1
16	Miscellaneous	2	0	2
17	Services	2	0	2
18	Food & Beverages	1	0	1
19	Metals & Mining	1	0	1
	Total	49	31	18

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